

VILLAGE OF SUTTONS BAY
SUTTONS BAY, MICHIGAN

For Year Ended
December 31, 2007

Audit Report

Wilson, Ward CPA Firm
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VILLAGE OF SUTTONS BAY
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INTRODUCTORY SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Trustees of
Village of Suttons Bay
Traverse City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund statement of financial position of Village of Suttons Bay, Inc as of and for the year ended December 31, 2007, and have issued our report thereon dated April 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Suttons Bay's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Suttons Bay's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Village of Suttons Bay's internal control over financial reporting.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

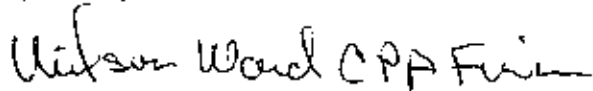
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant nor material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Suttons Bay's, Inc's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management, others within the organization and the Board and is not intended to be and should not be used by anyone other than these specified parties.



Interlochen, MI
April 29, 2008

FINANCIAL SECTION

Wilson, Ward CPA Firm

3015 M-137

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INDEPENDENT AUDITOR'S REPORT

To the Village of Suttons Bay
Suttons Bay, MI

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Suttons Bay, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Suttons Bay, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Suttons Bay, Michigan, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2008, on our consideration of the Village of Suttons Bay, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Suttons Bay's basic financial statements. The introductory section, combining and individual Village of Suttons Bay, Michigan's nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Village of Suttons Bay, Michigan. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wilson Ward CPA Firm

Interlochen, Michigan

April 29, 2008

Village of Suttons Bay

Management Discussion and Analysis

This discussion and analysis provides an overview of the Village's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Village's financial statements.

Financial Highlights:

- The Village's net assets changed with a slight decrease attributed to infrastructure project costs.

Using this Annual Report:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Fund Financial Statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund Financial Statements also report the Village's operations in more detail than the Government-Wide Financial Statements by providing information about the Village's most significant funds. The Fiduciary Fund Statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Village's Most Significant Funds:

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas where the Village is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Village.

3. Proprietary fund types include -

The *enterprise funds* use the full accrual basis for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Village as a Whole:

The following table shows current year net assets in the governmental funds:

Assets	
Cash	58,937
Capital Assets Net	<u>49,627</u>
Total Assets	131,851
Liabilities and Net Assets	
Liabilities	57,680
Net Assets	<u>74,171</u>
Total Liabilities and Net Assets	131,851

The Village's governmental net assets increased 5.4% from a year ago - increasing from \$2,053,913 to \$2,164,477. This was primarily due to careful budgetary control.

Revenues	
Taxes	708,754
State Grants	105,183
Project Grants	25,118
Interest and Rental	8,382
Charges for Services	869,477
Other	<u>34,983</u>
Total Revenue	1,751,897
Expenditure	<u>1,740,908</u>
Excess Revenue/(Expense)	10,989
Less Payment on Long Term Debt	<u>(66,858)</u>
Net Changes in Net Assets	(55,869)

The reason for the change from 2006 to 2007 was a change in reporting of the motor pool revenue and expenditures which were reported twice. In 2007, the amount of \$125,320 was removed from both the general fund revenue and general fund - motor pool expense.

The Village's Funds:

Our analysis of the Village's major fund begins in the supplemental data following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Village's governmental services.

General Fund Budgetary Highlights:

Over the course of the year the Village Board was able to maintain the Village departments within their prescribed budgets. Some budget increases were necessary, the most significant to the Village Council. This increase was more than offset with a commensurate reduction in the Village Hall.

Capital Asset and Debt Administration:

Capital Assets

The Village made capitalizable improvements of \$16,686 in 2007. There is a substantial Construction in Progress amount that has been added to assets and placed into operation.

	Asset	Depreciation	Accumulated Depreciation
General Fixed Assets			
Buildings	1,121,855	24,135	194,232
Land	1,165,964	0	0
Equipment	<u>777,731</u>	<u>69,145</u>	<u>402,925</u>
Total General Fixed Assets	3,065,555	93,280	597,157

Debt

The Village acquired no additional debt in 2007. Changes in the long-term debt are schedules below:

Bonds Payable	Beginning	Additions	Retirements	Ending
General Obligation	275,963	0	53,178	222,785
State obligation	2,200,000	0	95,000	2,105,000
Note Payable	209,000	0	14,000	195,000

Economic Factors and Next Year's Budgets and Rates:

Village of Suttons Bay's 2008 budget calls for the allocated millages to support general operating and roads.

General Overview of the Accomplishments of the Village in the 2007 Fiscal Year:

The Village finances have been managed very closely during this fiscal year. This is reflected in a slight increase of the General Fund balance. The Village is in a very healthy state as a whole.

Contacting the Village's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at (231) 271-3051.

VILLAGE OF SUTTONS BAY, MICHIGAN
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$58,637	\$175,300	\$233,937
Account Receivable - Trade	0	78,707	78,707
Account Receivable - Grant	0	7,375	7,375
Unbilled Revenue	0	27,558	27,558
Special Assessments Rec	0	24,585	24,585
Due From Other Funds	23,587	244,000	267,587
Inventory	0	12,456	12,456
Prepaid Expense	7,605	9,333	16,938
Receivable	42,022	0	42,022
Land	1,165,964	1,083,886	2,249,850
Capital Assets, net	1,147,127	7,288,509	8,435,636
Total Assets	2,444,942	8,951,709	11,396,651
LIABILITIES			
Accounts Payable	7,479	5,455	12,934
Due to Other Funds	18,388	249,193	267,591
Due to Other Agencies	6,513	0	6,513
Accrued Expenses	25,705	12,987	38,692
Deferred Comp Payable	(415)	0	(415)
Deferred revenue	0	1,572	1,572
Other Payables	0	0	0
Noncurrent liabilities			
Due within one year	55,799	339,354	395,153
Due in more than one year	166,986	2,265,500	2,432,486
Total Liabilities	280,465	2,874,061	3,154,526
NET ASSETS			
Invested in capital assets, net of related debt	1,894,177	0	1,894,177
Restricted		3,535,335	3,535,335
Unrestricted (deficit)	270,300	2,542,313	2,812,513
Total Net Assets	2,164,477	6,077,648	8,242,125
Total Liabilities and Net Assets	\$2,444,942	\$8,951,709	\$11,396,651

VILLAGE OF SUTTONS BAY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets		Total
			Governmental Activities	Business-type Activities	
Primary government					
Governmental activities:					
Legislative	\$0	\$0	\$0	\$0	\$0
General government	164,737	0	(164,737)	0	(164,737)
Public safety	297,894	0	(297,894)	0	(297,894)
Public works	207,702	30,012	(177,690)	0	(177,690)
Health and Welfare	0	0	0	0	0
Community and Economic Development	0	0	0	0	0
Recreation and Culture	75,233	0	(75,233)	0	(75,233)
Other	44,912	6,490	(44,912)	0	(44,912)
Interest on Long Term Debt	12,160	0	(12,160)	(66,858)	(79,018)
Total Governmental Activities	802,636	36,502	(766,136)	(66,858)	(832,994)
Business Type Activities					
Enterprise Funds	938,270	832,975	0	(105,295)	(105,295)
Total Primary Government	1,740,908	869,477	(766,136)	(172,153)	(938,289)
General revenues:					
Taxes					
Property Taxes-general			708,754	0	708,754
State-Shared Revenues			105,183	0	105,183
Unrestricted Investment Earnings			2,662	5,720	8,382
Other Taxes			0	0	0
Contributions			25,118	0	25,118
Miscellaneous			34,983	0	34,983
Total General Revenues-Special Items and Transfers			876,700	5,720	882,420
Changes in Net Assets			110,584	(166,433)	(55,859)
Net Assets - Beginning			2,053,913	6,244,081	8,297,994
Net Assets - Ending			\$2,164,477	\$6,077,648	\$8,242,125

The footnotes are an integral part of these Financial Statements.

VILLAGE OF SUTTONS BAY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General Fund	Major Street Fund	Local Street Fund	Total
ASSETS				
Cash, investments and cash equivalents	\$47,510	\$6,205	\$4,922	\$58,637
Receivables (net)	28,056	8608	5358	42,022
Prepaid Expenditures	6,509	548	548	7,605
Internal balances	23,587	0	0	23,587
Other Assets	0	0	0	0
Total Assets	105,662	15,361	10,828	131,851
LIABILITIES				
Accounts payable	7,479	0	0	7,479
Internal balances	24,911	0	0	24,911
Accrued payables	25,705	0	0	25,705
Deferred revenue	(415)	0	0	(415)
Other Liabilities	0	0	0	0
Total Liabilities	57,680	0	0	57,680
NET ASSETS				
Restricted for:				
Capital projects	0	0	0	0
Debt Service	0	0	0	0
Unrestricted (deficit)	47,982	15,361	10,828	74,171
Total Net Assets	47,982	15,361	10,828	74,171
Total Liabilities and Net Assets	\$105,662	\$15,361	\$10,828	\$131,851

Amounts reported on Statement of Net Assets are different because:

Balance per above		\$74,171
Add Capital Assets	2,313,091	
Less Long Term Debt	(222,785)	
Debt Interest Expenses	(12,160)	
Balance per Statement of Net Assets		\$2,152,317

VILLAGE OF SUTTONS BAY, MICHIGAN
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007

	General	Major Street	Local Street	Total Governmental
Revenues				
Taxes and Penalties	\$708,754	\$0	\$0	\$708,754
Licenses and Permits	6,490	0	0	6,490
Federal Grants	0	0	0	0
State Grants	47,158	38,608	21,783	107,549
Charges for Services	30,012	0	0	30,012
Fines and Forfeits	25,847	0	0	25,847
Interest and Rentals	2,100	18	544	2,662
Other Revenue	5,510	26,378	0	31,888
Total Revenues	825,871	65,004	22,327	913,202
Expenditures				
Legislative	23,388	0	0	23,388
General Government	140,349	0	0	140,349
Public Safety	174,441	0	0	174,441
Public Works	207,702	69,140	67,473	344,315
Health and Welfare	0	0	0	0
Recreation and Cultural	75,233	0	0	75,233
Other	24,362	0	0	24,362
Other Expenses	0	10,396	10,154	20,550
Miscellaneous Service	0	0	0	0
Total Expenditures	645,475	79,536	77,627	802,638
Excess of Revenues Over (Under) Expenditures	180,396	(14,532)	(55,300)	110,564
Other Financing Sources (Uses)				
Transfers In	15,000	44,750	92,241	151,991
Transfers (Out)	(151,991)	0	0	(151,991)
Bond Proceeds	0	0	0	0
Total Other Financing Sources (Uses)	(136,991)	44,750	92,241	0
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	43,405	30,218	36,941	110,564
Fund Balance January 1, 2007	4,577	(14,857)	(26,113)	(36,393)
Fund Balance December 31, 2007	\$47,982	\$15,361	\$10,828	\$74,171

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$110,564
Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimate useful lives as depreciation.	
General Debt Interest	(\$12,160)
Changes in compensated absences are recorded when earned.	
Change in Net Assets of Governmental Activities	\$98,404

VILLAGE OF SUTTONS BAY, MICHIGAN
Combined Balance Sheet
All Enterprise Funds
As of December 31, 2007

ASSETS

Current Assets	
Cash	\$175,300
Account Receivable - Trade	78,707
Account Receivable - Grant	7,375
Unbilled Revenue	27,558
Special Assessments Rec	24,585
Due From Other Funds	244,000
Taxes Receivable	0
Inventory	12,456
Prepaid Expenses	9,333
Total Current Assets	579,314
Noncurrent Assets	
Land	1,083,886
Construction in Process	126,048
Property, Plant & Equipment - Net	7,162,461
Bond Issuance Cost	0
Total Non Current Assets	8,372,395
Total Assets	8,951,709

LIABILITIES AND FUND EQUITY

LIABILITIES:

Accounts Payable	5,455
Deferred Revenue	1,572
Security Deposits	0
Accrued Interest Payable	12,987
Due To Other Funds	249,193
Current Portion of Long Term Debt	339,354
Total Current Liabilities	608,561

Bonds Payable	2,265,500
Total Liabilities	2,874,061

FUND EQUITY:

Retained Earnings	
Unreserved	2,542,313
Reserved	3,535,335
Total Fund Equity	6,077,648
Total Liabilities and Fund Equity	\$8,951,709

VILLAGE OF SUTTONS BAY, MICHIGAN
Combined Statement of Revenues, Expenses and Changes in Retained Earnings
All Enterprise Funds
For the Years Ended December 31, 2007

OPERATING REVENUES

Charges for Service	\$832,975
Refunds and Other	<u>0</u>
Total Revenues	832,975

OPERATING EXPENDITURES

Operations and Maintenance	648,293
Administration	96,828
Depreciation and Amortization	<u>193,149</u>
Total Expenditures	<u>938,270</u>

OPERATING INCOME (LOSS)	(105,295)
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NON-OPERATING INCOME (EXPENSE)

Interest on Investments	5,720
Proceeds from Grant	0
Transfers In (Out)	0
Bond Interest and Fees	<u>(66,858)</u>
Total Non-Operating Income (Expenses)	<u>(61,138)</u>

NET INCOME (LOSS)	(166,433)
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RETAINED EARNINGS, BEGINNING	<u>6,244,081</u>
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RETAINED EARNINGS, ENDING	<u><u>\$6,077,648</u></u>
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VILLAGE OF SUTTONS BAY, MICHIGAN
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Net Operating Income	\$57,874
Adjustment to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation	259,509
(Increase) Decrease in Account Receivable - Trade	(35,990)
(Increase) Decrease in Grant Receivable	(7,375)
Increase (Decrease) in Deferred Revenue	751
Increase (Decrease) in Accounts Payable	(19,186)
Increase (Decrease) in Due To Other Funds	104,193
Increase (Decrease) in Accrued Interest Payable	<u>0</u>
Net Cash Provided by Operating Activities	359,776

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	13,772
Transfers in	0
Acquisition of Capital Assets	<u>(204,720)</u>
Net Cash Provided by Investing Activities	(190,948)

CASH FLOWS FROM FINANCING ACTIVITIES

Interest paid on Long-Term Debt	(97,508)
Principal paid on Long-Term Debt	(241,364)
Proceeds from Debt	<u>0</u>
Net Cash Used by Financing Activities	(338,872)

TRANSFERS IN (OUT) 0

NET INCREASE IN CASH AND EQUIVALENTS 33,244

CASH AND EQUIVALENTS, BEGINNING 142,056

CASH AND EQUIVALENTS, ENDING \$175,300

VILLAGE OF SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Suttons Bay was incorporated on October 11, 1898 and covers an area of approximately 1.2 square miles. The Village operates under an elected Village Council of 7 members and provides services to its more than 480 residents in many areas including fire protection, water and sewer services, community enrichment and development, and human services.

Presentation

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely significantly on fees and charges for support.

The statement of activities demonstrates the degree direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or recipients who purchase, use, or benefit from the goods and services provided by the various function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

REPORTING ENTITY

As defined by the Governmental Accounting Standards Board Statement 1, all relevant criteria was reviewed in an attempt to decide if other entities ought to be included in this audit report. If certain oversight responsibility occurs, that subordinate entity activity should be noted in this report. Oversight responsibility is evidenced by:

- selection of governing authority
- designation of management
- ability to significantly influence operations
- budgetary authority
- responsibility to fund deficits or receive surplus funds
- fiscal management
- providing significant subsidies

Based on our review, conducted in accordance with GASB 14 and Michigan Department of Treasury Statement on Michigan Governmental Accounting and Auditing No 5, this report includes the Economic Development Corporation and as such it is a discreet presentation as a component unit. Its board is appointed by several related units and maintains financial control separate from the Village. The Parks and Rec Commission is appointed by the Board and as such is completely controlled by the Village. Hence, while it operates as a separate commission it is presented as a blended component unit in a special revenue fund of the Village.

BASIS OF PRESENTATION

The financial activities of the local unit are recorded in separate funds, categorized and described as follows:

GOVERNMENTAL FUND TYPES

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, included the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted for specific purposes. These funds include the Major and Local Street Funds.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The Village's Sewer, Water and Marina Funds are Enterprise Funds.

MEASUREMENT FOCUS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and Trust and Agency fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the government. Elimination of these would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

BASIS OF ACCOUNTING

All governmental funds utilize the modified accrual basis of accounting as described in GASB #1 and reports in accordance with GASB #34. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivable.

Significant revenues susceptible to accrual include property taxes, expenditures reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid.

The financial statements of proprietary funds are reflected on the accrual basis and recorded as incurred.

USE OF ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these were prepared on a basis not significantly different from modified accrual basis used to reflect actual results.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an account or line-item basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level, or by total fund revenue/expenditures for the smaller funds.

ACCUMULATED FUND DEFICITS

No funds had a negative fund balance.

COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Villages financial position and operations.

SICK AND VACATION LEAVE

Village employees cannot accumulate sick. Sick leave is non-cumulative and must be used by fiscal year end or it is lost without reimbursement to the employee.

Village employees cannot accumulate vacation. Vacation is non-cumulative and must be used by fiscal year end or it is lost without reimbursement to the employee.

PENSION/RETIREMENT PLAN

The Village sponsors the "Village of Suttons Bay Retirement Plan " a self administered defined contribution plan created in accordance with Internal Revenue Code Section 457. The plan covers substantially all employees with the exception of seasonal employees. Employer contributions are based upon 5% of annual payroll. Employees are vested 100% immediately in employee contributions and vested 20% for at least two but no more than three years, 40% for at least three but no more than four years, 60% for at least four but no more than five years and 80% for at least five but no more than six years and 100% at six or more years of service. During 2007 employer contributions amounted to \$23,945.

The amount booked during 2007 includes amounts accrued but not paid in 2007 of \$25705.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Authority by which Treasurers may invest funds and includes the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
 - b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
 - c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
 - d) Repurchase agreements consisting of instruments listed in subdivision (a).
 - e) Bankers' acceptances of United States banks.
 - f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
 - g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i) The purchase of securities on a when-issued or delayed delivery basis.
 - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
 - h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967.
 - i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367.
 - j) The investment pools organized under the local government investment pool act, 1985 PA 121.
- In bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States.

- B. Types of Deposits: The Village maintains it's cash deposits in the Fifth Third Bank. The following table categorizes the Village's deposits into the various degrees of security associated with the deposits:

	<u>Checking and Savings</u>	<u>FDIC Insured</u>
Central Checking	\$ 241,764	\$100,000
Savings	4,485	4,485
Tax Account	<u>32</u>	<u>32</u>
Total	\$246,281	\$104,517

In addition, there is petty cash including receipts, in the amount of \$257.

NOTE 3 - INVENTORIES

The Village does not maintain any material inventories.

NOTE 4 - PROPERTY TAX RECOGNITION

Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For property taxes this is deemed to be received within 60 days. The remainder of the delinquent receivables for property tax are classified as Deferred Taxes rather than revenue. Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15, with the final collection date of September 14 before they are added to the County tax delinquent rolls.

NOTE 5 - OPERATING TRANSFERS

There were no operating transfers during the year except those noted in NOTE 8. Monies transferred between various funds are offset by the appropriate interfund receivable.

NOTE 6 - SEWER SYSTEM BONDS

On October 8 2004, the Village Council approved the sale of \$293,500 General Obligation Unlimited Tax Sewage Disposal System Bonds series 1989. The bonds are to be repaid with principal payments due on October 1 of each year and interest at 6% to be paid semi-annually.

Amounts needed to amortize the debt through the year 2029 are as follows:

Fiscal Year	Principal	Interest	Total Requirement
2008	55,799	12,160	67,959
2009	58,550	6,788	65,338
2010	61,436	3,902	68,338
2011	47,000	1,012	48,012
Total	<u>132,000</u>	<u>117,840</u>	<u>249,840</u>
Debt Beginning of Year		275,963	
Payment		<u>53,178</u>	
Debt at end of Year		<u>222,785</u>	

On June 23, 2005, the Village Council approved the loan of \$2,200,000 at 1.624% from the State Revolving Loan Fund. The debt is to be paid as listed below:

Fiscal Year	Principal	Interest	Total
2008	95,000	34,206	129,206
2009	95,000	32,663	127,663
2010	100,000	31,119	131,119
2011	100,000	29,494	129,494
2012	100,000	27,869	127,869
Next Five	535,000	114,078	649,078
Next Five	580,000	69,306	649,306
Next Five	500,000	20,557	520,557

On 07/20/98, the Village Council approved a loan of \$302,000 at 5.79% from the Fifth Third Bank. The note is to be paid as listed below:

Fiscal Year	Principal	Interest	Total
2008	15,000	10,088	25,088
2009	16,000	9,088	25,088
2010	17,000	8,088	25,088
2011	18,000	7,088	25,088
2012	19,000	6,088	25,088
Next Five	110,000	15,438	125,738

NOTE 7 - Accounts payable include an amount per Board resolution of 5% of the salaries for pension payments. The total due is \$23,944.66. Such pension is required to be deposited within 30 days of the date earned.

NOTE 8 - INTERFUND RECEIVABLE AND PAYABLE

The following are the interfund receivable and payables at February 28, 2007.

		<u>Due To</u>	<u>Due From</u>
General Fund:	Water Fund	249,193	
	Motor Vehicle	18,398	
Water	Marina		244,000
	General		23,591

NOTE 9 - TRANSFERS

	Transfers In	Transfers Out
General Fund		151,991
Local Street		9,250
Major Street	146,241	
Motor Vehicle	15,000	

NOTE 10 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTAL UNITS

Following is a schedule of receivables at December 31, 2007:

General Fund		
Taxes	<u>12,532</u>	
Total General Fund		12,532
Special Revenue Funds		
Receivable		13,965
Enterprise Funds		
Marina Receivable		11,921
Other receivable		43,725
Utility customers receivable		<u>23,061</u>
Total Enterprise Funds		78,707

Other accounts receivable included mostly receivables from a third party the collection of which is subject to doubt.

NOTE 11 - CAPITAL ASSETS

General Fixed Assets have been acquired for general Village purposes and at the time of purchase were recorded as expenditures. The assets have been capitalized and are reported in the Statement of Fixed Assets and Depreciation.

	Assets			Accumulated Depreciation				
	Balance	Additions	Deletions	Balance	Balance	Additions	Deletions	Balance
Real Estate	1,165,964			1,165,964				
Buildings	1,121,855			1,121,855	187,590	16,307		194,232
Equipment	<u>761,045</u>	<u>16,686</u>		<u>777,731</u>	<u>333,150</u>	<u>69,145</u>		<u>402,925</u>
Total	3,048,864	16,686		3,065,555	503,877	319,590		597,157

NOTE 12 - RETAINED EARNINGS AND PRIOR PERIOD ADJUSTMENTS

There are no restricted bond payable.

NOTE 13 - DEFICIT FUNDS AND EXPENDITURES IN EXCESS OF APPROPRIATIONS

Public Act 621 of 1978, requires that a municipality shall not incur expenditures in excess of the monies appropriated. No activity expended amounts greater than appropriations. No funds are in deficit.

NOTE 14 - RISK MANAGEMENT

All risks are covered through the use of commercial insurance.

SUPPLEMENTAL STATEMENTS

WILSON, WARD CPA FIRM

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To the Suttons Bay Village Council
Suttons Bay, MI

We have audited the combined financial statements of the Village of Suttons Bay, Michigan for the year ended December 31, 2007. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Wilson, Ward CPA Firm

Interlochen, MI
April 29, 2008

General Fund

VILLAGE OF SUTTONS BAY
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget vs. Actual
For the Year Ended December 31, 2006 & December 31, 2007

	Original Budget	Final Budget	2006 Actual	2007	Variance Favorable (Unfavorable)
Revenue					
Current Property Taxes	\$714,751	\$714,751	\$626,933	\$708,754	(\$5,997)
Licenses and Permits	15,000	15,000	5,236	6,490	(8,510)
State Shared Revenues	43,700	43,700	46,723	44,792	1,092
State Grants	0	0	29,014	2,366	2,366
Earned Interest	1,600	1,600	7,933	2,100	500
Fines and Forfeits	1,000	1,000	1,488	25,847	24,847
Charges for Service	25,000	25,000	29,395	30,012	5,012
Contributions	0	0	0	510	(510)
Other Revenue	1,000	1,000	112,139	5,000	4,000
Total Revenues	802,051	802,051	858,861	825,871	23,820
Expenditure					
General Government					
Village Council	15,350	20,517	22,691	23,388	(2,871)
Village Manager	26,183	26,093	23,670	24,706	1,387
Clerk	11,319	11,563	4,918	11,221	342
Treasurer	5,770	6,175	4,644	5,893	282
Village Hall	78,698	73,215	50,060	98,529	(25,314)
Total General Government	137,320	137,563	105,983	163,737	(26,174)
Public Safety-Law Enforcement	165,000	184,011	150,839	174,441	9,570
Public Works					
Department of Public Works	150,360	156,986	125,242	140,953	16,033
Zoning and Planning	48,973	55,525	58,413	54,294	1,231
Street Lighting	15,000	14,000	10,187	12,455	1,545
Total Public Works	214,333	226,511	193,842	207,702	18,809
Parks and Recreation	150,000	94,670	179,609	76,233	19,437
Motor Pool			165,019	24,362	
Total Expenditures	666,653	642,755	795,292	645,475	21,542
Excess Revenues Over (Under) Expenditures	135,398	159,296	63,569	180,396	21,100
Other Financing Sources (Uses)					
Transfers Out	137,741	151,991	510,590	151,991	0
Transfers In	0	0	46,000	15,000	(15,000)
Excess Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	(2,343)	7,305	(401,021)	43,405	21,100
Fund Balance - Beginning of Year			405,598	4,577	
Fund Balance - End of Year			\$4,577	\$47,982	

Enterprise Funds

VILLAGE OF SUTTONS BAY, MICHIGAN
Combining Comparative Balance Sheet
All Enterprise Funds
For the Years Ended December 31, 2006 & December 31, 2007

	Sewer Fund		Water Fund		Marina Fund		Total	
	2006	2007	2006	2007	2006	2007	2006	2007
ASSETS								
Current Assets								
Cash	\$117,455	\$74,205	\$1,256	\$0	\$23,345	\$101,095	\$142,056	\$175,300
Account Receivable - Trade	91,689	7,561	159,368	59,225	11,839	11,321	262,896	78,707
Account Receivable - Grant		7,375	0	0			0	7,375
Unbilled Revenue		17,053		13,505				27,558
Special Assessments Rec		24,585						24,585
Due From Other Funds	151,360	0			244,000	244,000	395,360	244,000
Taxes Receivable		0					0	0
Inventory			12,456	12,456			12,456	12,456
Prepaid Expenses	3,651	5,544	1,701	3,094		605	5,352	9,333
Total Current Assets	364,155	136,323	174,781	85,283	279,184	357,711	818,120	579,314
Noncurrent Assets								
Land	0				1,083,886	1,083,886	1,083,886	1,083,886
Construction in Process	53,395		126,048	126,048			179,443	126,048
Property, Plant & Equipment - Net	5,780,267	5,774,835	726,673	703,718	733,006	683,808	7,239,946	7,162,461
Bond Insurance Cost	57,148	0					57,148	0
Total Non Current Assets	5,890,810	5,774,835	852,721	829,766	1,816,892	1,767,794	8,500,423	8,372,395
Total Assets	6,254,965	5,911,158	1,027,502	915,049	2,096,076	2,125,505	9,378,543	8,951,709
LIABILITIES AND FUND EQUITY								
LIABILITIES:								
Accounts Payable	17,183	5,421	7,303	34	170		24,641	5,455
Deferred Revenue					820	1,572	820	1,572
Security Deposits			0	0			0	0
Accrued Interest Payable	11,149	1,149	1,838	1,838			12,987	12,987
Due To Other Funds	0	0	296,360	249,193			296,360	249,193
Current Portion of Long Term Debt	155,000	155,000	14,000	14,000	203,154	170,354	372,154	339,354
Total Current Liabilities	183,317	171,570	319,501	265,065	204,144	171,926	706,962	608,961
Bonds Payable	2,232,500	2,084,500	195,000	181,603			2,622,500	2,265,500
Total Liabilities	2,415,817	2,256,070	514,501	446,668	204,144	171,926	3,134,462	2,874,061
FUND EQUITY:								
Retained Earnings								
Unreserved	392,986	119,753	513,001	468,981	1,613,739	1,953,579	2,519,725	2,542,313
Reserved	3,446,162	3,535,335			276,194		3,724,356	3,535,335
Total Fund Equity	3,839,148	3,655,088	513,001	468,981	1,891,932	1,953,579	6,244,081	6,077,648
Total Liabilities and Fund Equity	\$6,254,965	\$5,911,158	\$1,027,502	\$915,046	\$2,096,076	\$2,125,505	\$9,378,543	\$8,951,709

The footnotes are an integral part of these Financial Statements

VILLAGE OF SUTTONS BAY, MICHIGAN
Combining Comparative Statement of Revenues, Expenses and Changes in Retained Earnings
All Enterprise Funds
For the Years Ended December 31, 2006 & December 31, 2007

	Sewer Fund		Water Fund		Marina Fund		Total	
	2006	2007	2006	2007	2006	2007	2006	2007
OPERATING REVENUES								
Charges for Service	\$1,664,583	\$265,328	\$245,929	\$175,180	\$383,540	\$392,467	\$2,294,052	\$832,975
Refunds and Other	0	0	0	0	0	0	0	0
Total Revenues	<u>1,664,583</u>	<u>265,328</u>	<u>245,929</u>	<u>175,180</u>	<u>383,540</u>	<u>392,467</u>	<u>2,294,052</u>	<u>832,975</u>
OPERATING EXPENDITURES								
Operations and Maintenance	128,766	260,840	131,843	148,611	247,262	238,642	507,871	648,293
Administration	12,137	28,516	10,290	35,468	10,545	32,844	32,972	96,828
Depreciation and Amortization	50,480	121,095	21,789	22,955	44,571	49,099	116,850	193,149
Total Expenditures	<u>191,393</u>	<u>410,451</u>	<u>163,922</u>	<u>207,034</u>	<u>302,378</u>	<u>320,585</u>	<u>657,693</u>	<u>938,270</u>
OPERATING INCOME (LOSS)	1,473,190	(145,123)	82,007	(32,054)	81,162	71,882	1,636,359	(105,295)
NON-OPERATING INCOME (EXPENSE)								
Interest on Investments	8,391	3,482	1,621	510	6,431	1,728	16,443	5,720
Proceeds from Grant	0	0					0	0
Transfers In (Out)	0	0					0	0
Bond Interest and Fees	(31,642)	(42,419)	(12,328)	(12,476)	(18,322)	(11,963)	(62,292)	(66,858)
Total Non-Operating Income (Expenses)	<u>(23,251)</u>	<u>(38,937)</u>	<u>(10,707)</u>	<u>(11,966)</u>	<u>(11,891)</u>	<u>(10,235)</u>	<u>(45,849)</u>	<u>(61,138)</u>
NET INCOME (LOSS)	1,449,939	(184,060)	71,300	(44,020)	69,271	61,647	1,590,510	(166,433)
RETAINED EARNINGS, BEGINNING	<u>2,389,209</u>	<u>3,839,148</u>	<u>441,701</u>	<u>513,001</u>	<u>1,822,661</u>	<u>1,891,932</u>	<u>4,653,571</u>	<u>6,244,081</u>
RETAINED EARNINGS, ENDING	<u>\$3,839,148</u>	<u>\$3,655,088</u>	<u>\$513,001</u>	<u>\$468,981</u>	<u>\$1,891,932</u>	<u>\$1,953,579</u>	<u>\$6,244,081</u>	<u>\$6,077,648</u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF SUTTONS BAY, MICHIGAN
Combining Comparative Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2007

	2006	2007	2006	2007	2006	2007	2006	2007
	Sewer Fund		Water Fund		Marina Fund		Total	
CASH FLOWS FROM OPERATING ACTIVITIES								
Net Operating Income	\$1,473,190	(\$145,123)	\$82,007	(\$32,054)	\$81,162	\$74,982	\$1,450,182	\$57,674
Adjustment to Reconcile Net Operating Income to Net Cash Provided by Operating Activities								
Depreciation	50,490	121,095	21,769	22,955	44,571	49,099	260,900	259,509
(Increase) Decrease in Account Receivable - Trade	(345,266)	40,597	90,068	88,245	(254,143)	(777)	(360,479)	(35,990)
(Increase) Decrease in Grant Receivable		(7,375)	0				(7,375)	(7,375)
Increase (Decrease) in Deferred Revenue	0	0				751	0	751
Increase (Decrease) in Accounts Payable	0	(11,747)	0	(7,269)	0	(170)	(19,018)	(19,186)
Increase (Decrease) in Due To Other Funds	0	151,360	0	(47,167)			104,193	104,193
Increase (Decrease) in Accrued Interest Payable	0	0		0			0	0
Net Cash Provided by Operating Activities	1,178,414	148,807	193,884	24,710	(128,410)	120,785	1,417,405	359,776
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest on Investments	8,390	3,482	1,821	510	6,431	1,728	16,442	13,772
Transfers in							0	0
Acquisition of Capital Assets	(2,268,280)	(5,120)	(169,963)		(29,637)		(2,467,863)	(204,720)
Net Cash Provided by Investing Activities	(2,259,890)	(1,638)	(168,142)	510	(23,206)	1,728	(2,451,438)	(190,948)
CASH FLOWS FROM FINANCING ACTIVITIES								
Interest paid on Long-Term Debt	(28,926)	(42,419)	(12,328)	(12,476)	(18,322)	(11,963)	(59,576)	(97,508)
Principal paid on Long-Term Debt	(53,000)	(148,000)	(13,000)	(14,003)	(33,564)	(32,800)	(99,564)	(241,364)
Proceeds from Debt	1,122,652		0				1,122,652	0
Net Cash Used by Financing Activities	1,040,726	(190,419)	(25,328)	(26,478)	(51,886)	(44,783)	963,512	(338,872)
TRANSFERS IN (OUT)	0	0					0	0
NET INCREASE IN CASH AND EQUIVALENTS	(40,750)	(43,250)	214	(1,256)	(203,502)	77,750	(244,038)	33,244
CASH AND EQUIVALENTS, BEGINNING	158,205	117,455	1,042	1,256	226,847	23,345	386,034	142,056
CASH AND EQUIVALENTS, ENDING	\$117,455	\$74,205	\$1,256	\$0	\$23,345	\$101,095	\$142,056	\$175,300

The footnotes are an integral part of these Financial Statements

Wilson, Ward CPA Firm

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Robert K. Ward, CPA

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April 29, 2008

The Board of Trustees of
Village of Suttons Bay
Suttons Bay, MI

We have audited the financial statements of the Village of Suttons Bay for the year ended December 31, 2007 and have issued our report thereon dated April 29, 2008. Professional standards require that we provide you the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated April 28, 2008 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Village of Suttons Bay are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Village of Suttons Bay's books during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements of the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 29, 2008.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the auditor. However, these discussions occurred in the normal course of our audit.

Internal Control

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Some areas were discussed with an eye toward strengthening certain controls in cash through a review of the bank reconciliation by a third party. This situation also dictates that the Board of Trustees remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

We wish to thank the Treasurer, Clerk and Bookkeeper for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Trustees and management of the Village of Suttons Bay.

William Ward CPA Firm

Interlochen, MI
April 29, 2008